

The following is the text of a report set out on pages I-1 to I-[69], received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XTOOL INNOVATE LIMITED, MORGAN STANLEY ASIA LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of xTool Innovate Limited (formerly known as “Makeblock”) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-[69], which comprises the consolidated statements of financial position of the Group as at 31 December 2023 and 2024, the statement of financial position of the Company as at 31 December 2024 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2023 and 2024 (the “Track Record Period”), and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-[69] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified

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Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Company’s financial position as at 31 December 2024 and the Group’s financial position as at 31 December 2023 and 2024, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of interim financial information

We have reviewed the interim financial information of the Group which comprises the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2025 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the nine months ended 30 September 2024 and 2025 and other explanatory information (the “Interim Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” as issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified

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in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 31(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[Date]

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HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi (“RMB”))

	Note	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Revenue	4	1,456,636	2,475,861	1,498,367	1,776,666
Cost of sales		(594,607)	(1,128,039)	(674,066)	(781,935)
Gross profit		862,029	1,347,822	824,301	994,731
Other net income	5	14,880	49,393	30,709	41,885
Selling and marketing expenses . .		(394,912)	(562,524)	(350,413)	(402,000)
Administrative expenses		(133,007)	(236,791)	(152,598)	(178,575)
Research and development costs .		(156,588)	(359,194)	(247,563)	(308,856)
Profit from operations		192,402	238,706	104,436	147,185
Changes in carrying amount of financial liabilities issued to investors/redeemable preferred shares		(72,151)	(80,908)	(59,522)	(63,446)
Other finance costs		(2,786)	(10,047)	(6,467)	(11,297)
Finance costs	6(a)	(74,937)	(90,955)	(65,989)	(74,743)
Profit before taxation	6	117,465	147,751	38,447	72,442
Income tax (expense)/credit	7(a)	(6,542)	770	14,135	10,670
Profit for the year/period		110,923	148,521	52,582	83,112
Earnings per share					
Basic and diluted (RMB)	10	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Profit for the year/period	110,923	148,521	52,582	83,112
Other comprehensive income for the year/period				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of financial statements of the Company . .	–	(451)	–	5,081
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of financial statements of overseas subsidiaries	(4,076)	2,792	2,013	2,604
Other comprehensive income for the year/period	<u>(4,076)</u>	<u>2,341</u>	<u>2,013</u>	<u>7,685</u>
Total comprehensive income for the year/period	<u>106,847</u>	<u>150,862</u>	<u>54,595</u>	<u>90,797</u>

The accompanying notes form part of the Historical Financial Information.

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	At 31 December		At
		2023	2024	30 September
		RMB'000	RMB'000	2025
				RMB'000
				(unaudited)
Non-current assets				
Property, plant and equipment	11	27,221	86,658	98,227
Right-of-use assets	12	31,431	32,845	43,483
Intangible assets		459	1,095	1,722
Financial assets at fair value through profit or loss (“FVPL”)	18	–	30,000	9,090
Deferred tax assets	28(b)	52,329	60,075	94,143
Other non-current assets		2,589	7,498	11,106
		<u>114,029</u>	<u>218,171</u>	<u>257,771</u>
Current assets				
Derivative financial instruments	13	–	2,428	–
Inventories	15	333,904	433,035	857,463
Trade and other receivables	16	104,052	113,644	158,057
Amounts due from shareholders	17	2,358	381,082	–
Financial assets at FVPL	18	11,353	–	251,206
Time deposits	19	28,983	15,803	25,983
Restricted cash	20	32,128	95,478	144,119
Cash and cash equivalents	21(a)	491,808	994,553	1,136,662
		<u>1,004,586</u>	<u>2,036,023</u>	<u>2,573,490</u>
Current liabilities				
Trade and other payables	22	465,432	684,615	711,421
Amounts due to shareholders	23	–	381,180	200,063
Contract liabilities	24	87,040	138,991	150,426
Bank loans	25	100,339	307,060	490,778
Lease liabilities	26	13,763	15,899	15,537
Derivative financial instruments	13	168	1,676	–
Income tax payables	28(a)	2,215	4,896	25,761
Financial liabilities issued to investors	29(a)	717,433	–	–
Redeemable preferred shares	29(b)	–	805,014	958,518
Other current liabilities	27	6,873	9,289	10,130
		<u>1,393,263</u>	<u>2,348,620</u>	<u>2,562,634</u>
Net current (liabilities)/assets		<u>(388,677)</u>	<u>(312,597)</u>	<u>10,856</u>
Total assets less current liabilities		<u>(274,648)</u>	<u>(94,426)</u>	<u>268,627</u>

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	<i>Note</i>	<u>At 31 December</u>		<u>At</u>
		<u>2023</u>	<u>2024</u>	<u>30 September</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>2025</i>
				<i>RMB’000</i>
Non-current liabilities				
Lease liabilities	26	19,733	18,816	28,640
Other non-current liabilities	27	1,117	2,357	3,203
		<u>20,850</u>	<u>21,173</u>	<u>31,843</u>
		-----	-----	-----
NET (LIABILITIES)/ASSETS		<u>(295,498)</u>	<u>(115,599)</u>	<u>236,784</u>
CAPITAL AND RESERVES				
Paid-in capital		1,412	–	–
Share capital	31(a)	–	90	90
Reserves	31(c)	(296,910)	(115,689)	236,694
TOTAL (DEFICIT)/EQUITY		<u>(295,498)</u>	<u>(115,599)</u>	<u>236,784</u>

The accompanying notes form part of the Historical Financial Information.

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	<i>Note</i>	<u>At 31 December 2024</u> <i>RMB’000</i>	<u>At 30 September 2025</u> <i>RMB’000</i>
Non-current asset			
Investments in subsidiaries	<i>14</i>	420,011	441,263
		<u>420,011</u>	<u>441,263</u>
Current assets			
Other receivables	<i>16</i>	10,733	225,359
Amounts due from shareholders	<i>17</i>	370,522	–
Cash and cash equivalents	<i>21</i>	19,999	205,435
		<u>401,254</u>	<u>430,794</u>
Current liabilities			
Redeemable preferred shares	<i>29(b)</i>	805,014	958,518
Other payables	<i>22</i>	386,803	–
Amounts due to shareholders	<i>23</i>	–	83,063
		<u>1,191,817</u>	<u>1,041,581</u>
Net current liabilities		<u>(790,563)</u>	<u>(610,787)</u>
NET LIABILITIES		<u>(370,552)</u>	<u>(169,524)</u>
CAPITAL AND RESERVES			
Share capital	<i>31(a)</i>	90	90
Reserves	<i>31(c)</i>	<u>(370,642)</u>	<u>(169,614)</u>
TOTAL DEFICIT		<u>(370,552)</u>	<u>(169,524)</u>

The accompanying notes form part of the Historical Financial Information.

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Paid-in capital*	Share capital	Capital reserve	PRC statutory reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total deficit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		31(a)	31(c)(i)	31(c)(iii)	31(c)(ii)	31(c)(iv)		
Balance at 1 January 2023	1,412	-	26,521	-	9,851	8,941	(449,070)	(402,345)
Changes in equity in 2023:								
Profit for the year	-	-	-	-	-	-	110,923	110,923
Other comprehensive income	-	-	-	-	-	(4,076)	-	(4,076)
Total comprehensive income for the year	-	-	-	-	-	(4,076)	110,923	106,847
Appropriation to PRC statutory reserves	-	-	-	706	-	-	(706)	-
Balance at 31 December 2023	1,412	-	26,521	706	9,851	4,865	(338,853)	(295,498)
Balance at 1 January 2024	1,412	-	26,521	706	9,851	4,865	(338,853)	(295,498)
Changes in equity in 2024:								
Profit for the year	-	-	-	-	-	-	148,521	148,521
Other comprehensive income	-	-	-	-	-	2,341	-	2,341
Total comprehensive income for the year	-	-	-	-	-	2,341	148,521	150,862
Appropriation to PRC statutory reserves	-	-	-	13,292	-	-	(13,292)	-
Effect arising from the Reorganisation	(1,412)	90	1,322	-	-	-	-	-
Share-based compensation expenses	-	-	-	-	29,037	-	-	29,037
Balance at 31 December 2024	-	90	27,843	13,998	38,888	7,206	(203,624)	(115,599)

Note

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	Paid-in capital*	Share capital	Capital reserve	PRC statutory reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total (deficit)/equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		<i>31(a)</i>	<i>31(c)(i)</i>	<i>31(c)(iii)</i>	<i>31(c)(ii)</i>	<i>31(c)(iv)</i>		
(Unaudited)								
Balance at 1 January 2025	–	90	27,843	13,998	38,888	7,206	(203,624)	(115,599)
Changes in equity for the nine months ended								
30 September 2025:								
Profit for the period	–	–	–	–	–	–	83,112	83,112
Other comprehensive income	–	–	–	–	–	7,685	–	7,685
Total comprehensive income for the period	–	–	–	–	–	7,685	83,112	90,797
Modifications on redeemable preferred shares upon issuance of Series D preferred shares	–	–	235,825	–	–	–	–	235,825
Share-based compensation expenses	–	–	–	–	25,761	–	–	25,761
Balance at 30 September 2025 (unaudited)	–	90	263,668	13,998	64,649	14,891	(120,512)	236,784

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	Paid-in capital*	Share capital	Capital reserve	PRC statutory reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total deficit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		<i>31(a)</i>	<i>31(c)(i)</i>	<i>31(c)(iii)</i>	<i>31(c)(ii)</i>	<i>31(c)(iv)</i>		
(Unaudited)								
Balance at 1 January 2024	1,412	—	26,521	706	9,851	4,865	(338,853)	(295,498)
Changes in equity for the nine months ended 30 September 2024:								
Profit for the period	—	—	—	—	—	—	52,582	52,582
Other comprehensive income	—	—	—	—	—	2,013	—	2,013
Total comprehensive income for the period	—	—	—	—	—	2,013	52,582	54,595
Effect arising from the Reorganisation	(1,412)	90	1,322	—	—	—	—	—
Share-based compensation expenses	—	—	—	—	16,668	—	—	16,668
Balance at 30 September 2024 (unaudited)	—	90	27,843	706	26,519	6,878	(286,271)	(224,235)

Note

6(b)

* The balances as at 1 January 2023 and 31 December 2023 represent the paid-in capital of the former holding company of the Group, Makeblock Co., Ltd. (“Shenzhen xTool”), prior to the completion of the Reorganisation.

The accompanying notes form part of the Historical Financial Information.

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CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	<i>Note</i>	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Operating activities:					
Cash generated from/(used					
in) operations	21(b)	366,452	363,575	(42,251)	(230,369)
Interest received		5,479	18,234	12,010	19,010
(Payments for)/refund of					
income tax		(2,026)	(8,845)	(5,536)	2,525
Net cash generated					
from/(used in) operating					
activities		<u>369,905</u>	<u>372,964</u>	<u>(35,777)</u>	<u>(208,834)</u>
Investing activities:					
Payments for the purchase of					
property, plant and					
equipment and intangible					
assets		(30,523)	(80,163)	(71,553)	(29,931)
Proceeds from disposal of					
property, plant and					
equipment		–	–	–	400
Placement of time deposits . .		(35,405)	(44,109)	(28,125)	(230,289)
Proceeds from maturity of					
time deposits		7,291	58,782	43,249	222,499
Payment for restricted cash					
related to derivative					
financial instruments		–	–	–	(56,986)
Payments for acquisition of					
financial assets measured					
at FVPL		(74,706)	(715,753)	(593,855)	(372,338)
Proceeds from disposal of					
financial assets measured					
at FVPL		63,667	719,241	532,284	130,319
Payment for investment					
included in other					
non-current assets		–	–	–	(3,000)
Net cash used in investing					
activities		<u>(69,676)</u>	<u>(62,002)</u>	<u>(118,000)</u>	<u>(339,326)</u>

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	<i>Note</i>	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Financing activities:					
Capital element of lease					
rentals paid	21(c)	(10,702)	(15,251)	(10,899)	(13,740)
Interest element of lease					
rentals paid	21(c)	(1,571)	(1,375)	(1,059)	(984)
Proceeds from bank loans . . .	21(c)	106,299	451,000	376,000	510,115
Repayments of bank loans . .	21(c)	(20,996)	(252,951)	(148,595)	(336,710)
Payments to shareholders in connection with the					
Reorganisation		–	(20,000)	(20,000)	(381,082)
Receipts from shareholders in connection with the					
Reorganisation		–	20,000	20,000	381,082
Deposits and advance					
payment received from the shareholders for the issuance of redeemable preferred shares		–	–	–	200,063
Capital injections from investors		–	2,358	2,358	–
Proceeds from issuance of redeemable preferred shares	21(c)	–	–	–	335,579
Net cash generated from financing activities		<u>73,030</u>	<u>183,781</u>	<u>217,805</u>	<u>694,323</u>
Net increase in cash and cash equivalents		373,259	494,743	64,028	146,163
Effect of foreign exchange rate changes		(4,317)	8,002	13,011	(4,054)
Cash and cash equivalents at beginning of the year/period		<u>122,866</u>	<u>491,808</u>	<u>491,808</u>	<u>994,553</u>
Cash and cash equivalents at end of the year/period .	21(a)	<u>491,808</u>	<u>994,553</u>	<u>568,847</u>	<u>1,136,662</u>

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

xTool Innovate Limited (formerly known as “Makeblock”) (the “Company”) was incorporated in the Cayman Islands on 13 June 2024 as an exempted company with limited liability under the Companies Act (Revised) of the Cayman Islands.

The Company is an investment holding company. The Company has not carried on any business operation since the date of its incorporation save for the Group reorganisation below. The Company and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and sales of laser-based personal creative tools and material printers.

Prior to the incorporation of the Company, the above-mentioned principal activities were carried out by Shenzhen xTool and its subsidiaries. To rationalise the corporate structure in preparation of the [REDACTED] of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Group underwent the reorganisation, as detailed in the section headed “History, Reorganisation and Corporate Structure” in the Document (the “Reorganisation”). Upon completion of the Reorganisation, the Company became the holding company of the Group.

As the Reorganisation only involved inserting a newly formed entity with no substantive operations as the new holding company of Shenzhen xTool, the former holding company of the Group, and there were no changes in the economic substance of the ownership and the business of the Group. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition, with Shenzhen xTool treated as the acquirer for accounting purposes. The Historical Financial Information has been prepared and presented as a continuation of the financial statements of Shenzhen xTool with the assets and liabilities of Shenzhen xTool recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

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The Company has direct or indirect interests in the following principal subsidiaries:

Company name	Place and date of incorporation /reestablishment	Particulars of issued and paid-up capital	Proportion of ownership interest				Principal activities	Name of statutory auditor in 2023	Name of statutory auditor in 2024
			At 31 December		At 30 September				
			2023	2024	2025	As at the date of this report			
<i>Directly held by the Company</i>									
Makeblock Limited (i)	British Virgin Islands, 30 July 2024	1 share	N/A	100%	100%	100% Investment holding	N/A	N/A	
<i>Indirectly held by the Company</i>									
Makeblock HongKong Holding Limited (i)	Hong Kong, 09 August 2024	10,000 shares	N/A	100%	100%	100% Investment holding	N/A	N/A	
Shenzhen xTool* (深圳市創客工場科技有限公司) (ii)	Chinese Mainland, 24 June 2013	RMB1,189,873	100%	100%	100%	100% Research and development, manufacturing and sales	Rongcheng Certified Public Accountants (Special General Partnership) 容誠會計師事務所 (特殊普通合夥)	Rongcheng Certified Public Accountants (Special General Partnership) 容誠會計師事務所 (特殊普通合夥)	
XTL US INC. (i)	United States, 10 September 2021	20,000 shares	100%	100%	100%	100% Sales and marketing	N/A	N/A	
Creative Tools HK Company Limited (ii)	Hong Kong, 26 January 2022	10,000 shares	100%	100%	100%	100% Sales and marketing	TC-Professional CPA Limited	Wu Wallen, CPA (Practising)	
Makeblock (Hong Kong) Company Limited (ii)	Hong Kong, 16 January 2023	10,000 shares	100%	100%	100%	100% Sales and marketing	Lee Chi Fai & Co. Certified Public Accountants	Lee Chi Fai & Co. Certified Public Accountants	
Makeblock Europe B.V. (ii)	The Kingdom of Netherlands, 01 June 2017	200,000 shares	100%	100%	100%	100% Sales and marketing	Otterspeer Haasnoot & Partners	Otterspeer Haasnoot & Partners	

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Notes:

- (i) No audited financial statements of these entities have been prepared for the Track Record Period.
- (ii) The financial statements of Shenzhen xTool for the years ended 31 December 2023 and 2024 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The financial statements of Makeblock Europe B.V. for the years ended 31 December 2023 and 2024 were prepared in accordance with IFRS Accounting Standards. The financial statements of Creative Tools HK Company Limited for the years ended 31 December 2023 and 2024 were prepared in accordance with Hong Kong Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard. The financial statements of Makeblock (Hong Kong) Company Limited ended 31 December 2023 and 2024 were prepared in accordance with HKFRS Accounting Standards.
- * The English translation of all above companies is for reference only. The official names of the companies established in the PRC are in Chinese.

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”). Further details of the material accounting policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in Note 36.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Interim Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information and the Interim Financial Information are presented Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial assets at fair value through profit or loss (“FVPL”) (see Note 2(d)); and
- derivative financial instruments (see Note 2(e)).

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(b) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Historical Financial Information from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(d) Other investments in securities

The Group’s policies for investments in securities, other than investments in subsidiaries are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 32. These investments are subsequently accounted for as follows, depending on their classification.

(i) *Non-equity investments*

Non-equity investments are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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- Fair value through other comprehensive income (“FVOCI”) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income (“OCI”). When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost of FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer’s perspective. If such election is made, for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other net income.

(e) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives during the Track Record Period are as follows:

- Ownership interests in land held for own use is not depreciated.
- Machinery and equipment 3 to 10 years
- Vehicles 4 years
- Office equipment and others 5 years
- Leasehold improvements Shorter of useful lives or lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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(g) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)(ii)).

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(i)). The estimated useful lives of right-of-use asset are determined on the same basis as lease terms.

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Notes 2(e), 2(t) and 2(i)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(i) Credit losses and impairment of assets

(i) *Credit losses from financial instruments*

The Group recognises a loss allowance for expected credit losses (“ECLs”) on financial assets measured at amortised cost (including cash and cash equivalents, time-deposit, restricted cash, amounts due from shareholders and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

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Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

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(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(u)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(l)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All receivables are subsequently stated at amortised cost (see Note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 2(i)(i)).

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(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Financial liabilities issued to investors

A contract that contains an obligation to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Even if the obligations to purchase are conditional on the counterparty exercising a right to redeem, the financial instruments with preferred rights are recognised as financial liability initially at the present value of the redemption amount and subsequently measured at amortised cost with interest charged in finance costs.

(p) Redeemable preferred shares

The Group’s redeemable preferred shares are subject to the investors’ request to redeem for cash upon the occurrence of events that are beyond the control of both the Group and the holders, which give rise to financial liabilities.

The financial liabilities are initially measured at the present value of the redemption amount, which represents the settlement that would be triggered by the event with the highest settlement outcome, and may change from time to time. Changes in the carrying amount of the financial liabilities are charged to profit or loss.

The Group derecognises the financial liabilities arising from redeemable preferred shares when, and only when, the Group’s redemption obligations are discharged, cancelled, or have expired. When the redemption obligations expire without exercise or when the redeemable preferred shares are mandatorily converted into ordinary shares upon the [REDACTED] of the Company, the carrying amount of the financial liabilities is reclassified or transferred to equity.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(y).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based compensation expenses

The grant-date fair value of share-based compensation expenses granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity in separate financial statements of the Company.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises costs for a restructuring.

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(s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(t) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see Note 2(i)(ii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

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(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services.

Further details of the Group’s revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sales of laser-based personal creative tools and material printers. In determine whether the Group acts as principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group’s ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax, other sales taxes or any trade discounts. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

The Group offers warranties for its products for up to one or two years from the date of sale. A related provision is recognised in accordance with Note 2(t).

The Group typically offers customers of laser-based personal creative tools and material printers that are not made-to-order with rights of return for a period of 14 to 30 days upon customer acceptance. It also offers retrospective cumulative volume rebates to certain major customers of laser machines and material printers when their purchases reach an agreed threshold. Such rights of return and volume rebates give rise to variable consideration. The Group uses an expected value approach to estimate variable consideration based on the Group’s current and future performance expectations and all information that is reasonably available. This estimated amount is included in the transaction price to the extent it is highly probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. At the time of sale of laser machines and material printers, the Group recognises revenue after taking into account adjustment to transaction price arising from returns and rebates as mentioned above. A refund liability is recognised for the expected returns and rebates. A right to recover returned goods and corresponding adjustment to cost of sales are also recognised for the right to recover products from customers. This right to recover returned goods is measured at the former carrying amount of the inventory less any expected costs to recover goods (including potential decreases in the value of the returned goods).

Revenue from the sale of products over self-operated online stores or third-party e-commerce platforms is recognised at the point in time when control of the products is transferred to the customer, generally on the receipt of products by customers.

Revenue from the sale of products offline is recognised at the point in time when control of the products is transferred to the customer. Revenue from the sale of domestic products is recognised when the Group has delivered the products to the location and the customer takes the possession of and accepts the goods according to the sales contract. Revenue from the sale of overseas products is recognised at the corresponding points of time according to trade terms.

If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis except when a variable consideration is allocated to a specific performance obligation in the contract. Generally, the Group establishes standalone selling prices with reference to the observable prices of products or services sold separately in comparable circumstances to similar customers.

Revenue allocated to product-related bundled services is deferred and recognised on a straight-line basis over the estimated period they are expected to be provided.

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The Group operates membership programs for official website customers who can earn loyalty points on their purchases. Points are redeemable against any future purchases of the Group’s products or other offerings provided by the Group. The Group allocates a portion of the consideration to loyalty points based on the relative stand-alone selling prices. The amount allocated to the membership programs is deferred and recognised as revenue when loyalty points are redeemed or expire. Unused loyalty points generally expire in 24 months after they are granted.

(ii) Interest income

Interest income is recognised using the effective interest method. The “effective interest rate” is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(iii) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised as income in the profit or loss on a straight-line basis over the useful lives of the related asset.

(v) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve.

(w) Related parties

(a) A person, or a close member of that person’s family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group’s parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

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- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 32(e) contain information about the assumptions and their risk factors relating to valuation of fair value of financial instruments. Other significant sources of estimation uncertainty are as follows:

(a) Share-based compensation expenses

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the services received in exchange for the grant of the equity instruments (options) is recognised as an expense on the consolidated statement of profit or loss with a corresponding increase in equity.

In terms of the options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (options) granted:

- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

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Service and non-market performance conditions are included in calculation of the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statements of profit or loss, with a corresponding adjustment to equity. In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. When the options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium. Further details are given in Note 30.

(b) Recognition and measurement of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is set out below:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue from contracts with customers within the scope of IFRS 15				
Laser-based personal creative tools and accessories	1,266,526	2,206,380	1,343,823	1,517,430
Material printers and accessories	–	–	–	100,680
Consumables and others	190,110	269,481	154,544	158,556
	<u>1,456,636</u>	<u>2,475,861</u>	<u>1,498,367</u>	<u>1,776,666</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is set out below:

	Years ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Point-in-time	1,455,987	2,470,357	1,494,750	1,769,124
Over-time	649	5,504	3,617	7,542
	<u>1,456,636</u>	<u>2,475,861</u>	<u>1,498,367</u>	<u>1,776,666</u>

No revenue from individual customer contributes over 10% of total revenue of the Group for the Track Record Period.

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 to its sales contracts for products that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of products that had an original expected duration of one year or less.

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(b) Segment reporting

IFRS 8, *Operating Segments*, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group’s chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, the Group has determined that it only has one operating segment during the Track Record Period.

Geographic information

The following table sets out information about the geographical location of (i) the Group’s revenue from external customers and (ii) the Group’s property, plant and equipment, right-of-use assets and intangible assets (“specified non-current assets”). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and right-of-use assets, and the location of the operation to which they are allocated, in the case of intangible assets.

	Years ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Revenue from external customers				
United States	897,943	1,421,096	882,590	972,882
Europe	331,339	698,974	391,281	537,860
Other regions	227,354	355,791	224,496	265,924
	<u>1,456,636</u>	<u>2,475,861</u>	<u>1,498,367</u>	<u>1,776,666</u>

	At 31 December		At 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Specified non-current assets				
Chinese Mainland		58,786	68,794	71,333
Thailand		–	50,337	50,629
Other regions		325	1,467	21,470
		<u>59,111</u>	<u>120,598</u>	<u>143,432</u>

5 OTHER NET INCOME

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Bank interest income	6,342	19,426	12,966	21,580
Net gain on financial assets measured at FVPL	171	4,949	4,163	1,953
Net (loss)/gain on derivatives financial instruments	(23)	3,038	820	572
Net (loss)/gain on disposal of property, plant and equipment and right-of-use assets	(2,344)	(1,158)	(105)	410
Government grants (Note)	7,142	14,623	13,751	3,979
Net foreign exchange gain/(loss)	3,849	9,004	(574)	12,400
Others	(257)	(489)	(312)	991
	<u>14,880</u>	<u>49,393</u>	<u>30,709</u>	<u>41,885</u>

Note: Government grants primarily comprise subsidies received for the encouragement of research and development projects.

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6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Note	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Changes in the carrying amount of:					
– financial liabilities issued to investors	29(a)	72,151	62,692	59,522	–
– redeemable preferred shares	29(b)	–	18,216	–	63,446
		<u>72,151</u>	<u>80,908</u>	<u>59,522</u>	<u>63,446</u>
Interests on:					
– bank loans	25(c)	1,215	8,672	5,408	10,313
– lease liabilities	26(c)	1,571	1,375	1,059	984
		<u>2,786</u>	<u>10,047</u>	<u>6,467</u>	<u>11,297</u>
Other finance costs		<u>2,786</u>	<u>10,047</u>	<u>6,467</u>	<u>11,297</u>
Total finance costs		<u>74,937</u>	<u>90,955</u>	<u>65,989</u>	<u>74,743</u>

(b) Staff costs:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Salaries, wages and other benefits	309,382	566,098	399,944	456,390
Contributions to defined contribution retirement plans (i)	6,564	14,877	10,143	13,771
Share-based compensation expenses	–	29,037	16,668	25,761
	<u>315,946</u>	<u>610,012</u>	<u>426,755</u>	<u>495,922</u>

(i) Defined contribution retirement plans

Employees of the Group’s PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Company and its subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

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(c) **Other items:**

	Note	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Cost of inventories sold	15(b)	443,865	821,928	476,295	614,472
Depreciation:					
– owned property, plant and equipment	11	5,336	12,565	7,669	14,679
– right-of-use assets	12	12,110	15,199	11,064	12,917
Amortisation of intangible assets		71	273	196	163
Provision for/(reversal of) impairment loss on trade and other receivables		802	(330)	(1,100)	1,499
		<u>802</u>	<u>(330)</u>	<u>(1,100)</u>	<u>1,499</u>

For the years ended 31 December 2023 and 2024 and the nine months ended 30 September 2024 and 2025, cost of inventories sold includes RMB24,802,000, RMB58,964,000, RMB38,472,000 (unaudited), RMB59,047,000 (unaudited) relating to staff costs, depreciation and amortisation expenses respectively which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) **Taxation in the consolidated statements of profit or loss represents:**

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Current tax:				
Provision for the year/period	4,086	6,976	3,219	22,786
Under provision in respect of prior years	65	–	–	612
	4,151	6,976	3,219	23,398
Deferred tax:				
Origination and reversal of temporary differences	2,391	(7,746)	(17,354)	(34,068)
	<u>6,542</u>	<u>(770)</u>	<u>(14,135)</u>	<u>(10,670)</u>

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(b) Reconciliation between tax expenses/(credit) and accounting profit at applicable tax rates:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Profit before taxation	117,465	147,751	38,447	72,442
Notional tax on profit before taxation, calculated at the rates applicable to the jurisdictions concerned (i)	31,974	40,710	8,422	31,956
Effect of preferential tax rate (ii)	(16,091)	(14,808)	(9,887)	(3,061)
Effect of additional deduction on research and development expenses (iii)	(19,270)	(45,585)	(28,153)	(44,754)
Effect of changes in the carrying amount of financial liabilities issued to investors	10,823	9,403	8,928	–
Effect of non-deductible expenses	791	4,243	2,802	3,937
Under provision in respect of prior years/periods	65	–	–	612
Effect of temporary differences and tax losses not recognised	(1,750)	5,267	3,753	640
Actual tax expenses/(credit)	6,542	(770)	(14,135)	(10,670)

(i) Pursuant to the tax rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Pursuant to the Enterprise Income Tax (the “EIT”) Law of the PRC (the “EIT Law”), the Company and its subsidiaries established and operated in the PRC are liable to EIT at a rate of 25% unless otherwise specified.

Pursuant to the income tax rules and regulations of Hong Kong, when the taxable income does not exceed HK\$2 million, the subsidiary in Hong Kong were liable to the Profits Tax at a rate of 8.25%, and at a rate of 16.5% when the taxable income exceeding HK\$2 million.

Pursuant to the income tax rules and regulations of the United States (“US”), the subsidiary in the US were liable to the US Profits Tax at a rate of 21% Federal Tax and 2.5%-11.5% State Tax.

Pursuant to the income tax rules and regulations of Netherlands, when the taxable income does not exceed EUR 200,000, the subsidiary in Netherlands were liable to the Profits Tax at a rate of 19%, and at a rate of 25.8% when the taxable income exceeding EUR 200,000.

(ii) According to the EIT Law and its relevant regulations, entities that qualified as high-technology enterprise are entitled to a preferential income tax rate of 15%. Shenzhen xTool obtained the certificate of high-technology enterprise and is subject to income tax rate at 15% during the Track Record Period.

For the years ended 31 December 2023 and 2024, certain subsidiaries of the Group fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in Chinese Mainland. According to the EIT Law and its relevant regulations, they were entitled to a preferential income tax rate of 5% on taxable income.

(iii) Under the PRC EIT Law and its relevant regulations, 100% additional tax deduction is allowed for qualified research and development costs during the Track Record Period.

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8 DIRECTORS’ EMOLUMENTS

Directors’ emoluments during the Track Record Period which were included in the staff costs as disclosed in Note 6(b) are as follows:

Year ended 31 December 2023

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based compensation (f)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman							
Wang Jianjun (a) . . .	–	1,176	7,500	9	8,685	–	8,685
Executive directors							
Wang Chengbao (b) .	–	623	1,010	–	1,633	–	1,633
Yin Jun (b)	–	776	450	9	1,235	–	1,235
Qin Ming (b)	–	741	440	9	1,190	–	1,190
Zhang Yi (b)	–	897	510	9	1,416	–	1,416
Non-executive directors							
Qin Jie (c)	–	–	–	–	–	–	–
Wang Hao (c)	–	–	–	–	–	–	–
Chen Mei (c)	–	–	–	–	–	–	–
Zhu Feng (c)	–	–	–	–	–	–	–
		<u>4,213</u>	<u>9,910</u>	<u>36</u>	<u>14,159</u>	–	<u>14,159</u>
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Year ended 31 December 2024

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based compensation (f)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman							
Wang Jianjun (a) . . .	–	2,087	5,599	10	7,696	–	7,696
Executive directors							
Wang Chengbao (b) .	–	945	670	–	1,615	1,165	2,780
Yin Jun (b)	–	773	452	9	1,234	524	1,758
Qin Ming (b)	–	773	572	10	1,355	233	1,588
Zhang Yi (b)	–	994	539	9	1,542	583	2,125
Non-executive directors							
Qin Jie (c)	–	–	–	–	–	–	–
Wang Hao (c)	–	–	–	–	–	–	–
Chen Mei (c)	–	–	–	–	–	–	–
Zhu Feng (c)	–	–	–	–	–	–	–
		<u>5,572</u>	<u>7,832</u>	<u>38</u>	<u>13,442</u>	<u>2,505</u>	<u>15,947</u>
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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Nine months ended 30 September 2025 (Unaudited)

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based compensation (f)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman							
Wang Jianjun (a) . . .	–	1,819	1,680	8	3,507	–	3,507
Executive directors							
Wang Chengbao (b) . . .	–	597	201	–	798	874	1,672
Yin Jun (b)	–	584	135	7	726	393	1,119
Qin Ming (b)	–	585	172	8	765	175	940
Zhang Yi (b)	–	738	162	8	908	437	1,345
Non-executive directors							
Qin Jie (c)	–	–	–	–	–	–	–
Wang Hao (c)	–	–	–	–	–	–	–
Chen Mei (c)	–	–	–	–	–	–	–
Zhu Feng (c)	–	–	–	–	–	–	–
	–	4,323	2,350	31	6,704	1,879	8,583
	–	–	–	–	–	–	–

Nine months ended 30 September 2024 (Unaudited)

	Directors’ fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based compensation (f)	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman							
Wang Jianjun (a) . . .	–	1,481	4,199	7	5,687	–	5,687
Executive directors							
Wang Chengbao (b) . . .	–	741	503	–	1,244	874	2,118
Yin Jun (b)	–	578	339	7	924	393	1,317
Qin Ming (b)	–	579	429	7	1,015	175	1,190
Zhang Yi (b)	–	747	404	7	1,158	437	1,595
Non-executive directors							
Qin Jie (c)	–	–	–	–	–	–	–
Wang Hao (c)	–	–	–	–	–	–	–
Chen Mei (c)	–	–	–	–	–	–	–
Zhu Feng (c)	–	–	–	–	–	–	–
	–	4,126	5,874	28	10,028	1,879	11,907
	–	–	–	–	–	–	–

Notes:

- (a) Wang Jianjun was appointed as an executive director of the Company in June 2024.
- (b) Wang Chengbao, Yin Jun, Qin Ming and Zhang Yi were appointed as executive directors of the Company in September 2024 and resigned in December 2025.
- (c) Qin Jie, Wang Hao, Chen Mei and Zhu Feng were appointed as executive directors of the Company in September 2024. Qin Jie and Wang Hao resigned in December 2025.
- (d) Liu Yao, Jin Shengze and Hu Jinhong were appointed as executive directors of the Company in December 2025.
- (e) Ni Zewang, Zhang Saiyin and Meng Tianxing were appointed as independent non-executive directors of the Company in December 2025 with effect from the [REDACTED].

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- (f) These represent the estimated value of share-based compensation expenses granted to the directors under the Company’s Share Option Scheme. The value of these expenses are measured according to the Group’s accounting policies as set out in Note 2(r)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of share-based compensation expenses, including the principal terms and number of options granted, are disclosed in Note 30.

During the Track Record Period, no director or chief executive has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors and the chief executive as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the five individuals with the highest emoluments of the Group for the years ended 31 December 2023 and 2024, and the nine months ended 30 September 2024 and 2025, 3, 2, 2 (unaudited) and 1 (unaudited) individual’s emoluments are disclosed in Note 8 and the emoluments in respect of the remaining 2, 3, 3 (unaudited) and 4 (unaudited) individuals during the Track Record Period are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Salaries, allowance and benefits				
in kind	1,781	4,671	3,516	4,262
Discretionary bonuses	1,759	2,048	1,536	614
Retirement scheme contributions . . .	–	19	14	23
Share-based compensation expenses . .	18	9,776	7,332	8,097
	<u>3,558</u>	<u>16,514</u>	<u>12,398</u>	<u>12,996</u>

The emoluments of the individuals who are not director and with the highest emoluments are within the following bands:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals (unaudited)
HK\$				
1,500,001 – 2,000,000	1	–	–	1
2,000,001 – 2,500,000	1	–	–	1
2,500,001 – 3,000,000	–	–	1	1
3,000,001 – 3,500,000	–	1	1	–
4,000,001 – 4,500,000	–	1	–	–
7,500,001 – 8,000,000	–	–	–	1
8,000,001 – 8,500,000	–	–	1	–
10,000,001 – 10,500,000	–	1	–	–

During the Track Record Period, no amounts were paid or payable by the Group to the above non-director highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

10 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the basis of preparation and presentation set out Note 1.

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11 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Vehicles	Office equipment and others	Leasehold improvements	Ownership interests in land held for own use	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost:						
At 1 January 2023	12,725	4	330	7,095	–	20,154
Additions	6,048	604	2,795	16,965	–	26,412
Disposals	(272)	–	–	(260)	–	(532)
Currency translation difference . .	4	–	2	(2)	–	4
At 31 December 2023 and 1 January 2024	18,505	608	3,127	23,798	–	46,038
Additions	14,690	544	4,587	11,672	41,419	72,912
Disposals	(5,487)	–	(995)	(16)	–	(6,498)
Currency translation difference . .	(1)	–	(42)	(2)	303	258
At 31 December 2024 and 1 January 2025	27,707	1,152	6,677	35,452	41,722	112,710
Additions	16,615	497	713	7,428	–	25,253
Disposals	(246)	(500)	(60)	–	–	(806)
Currency translation difference . .	89	–	33	36	1,581	1,739
At 30 September 2025	44,165	1,149	7,363	42,916	43,303	138,896
Accumulated depreciation:						
At 1 January 2023	(8,209)	(1)	(277)	(5,372)	–	(13,859)
Charge for the year	(2,112)	(101)	(317)	(2,806)	–	(5,336)
Written back on disposals	255	–	–	124	–	379
Currency translation difference . .	(3)	–	–	2	–	(1)
At 31 December 2023 and 1 January 2024	(10,069)	(102)	(594)	(8,052)	–	(18,817)
Charge for the year	(3,809)	(185)	(910)	(7,661)	–	(12,565)
Written back on disposals	4,815	–	472	3	–	5,290
Currency translation difference . .	(1)	–	41	–	–	40
At 31 December 2024 and 1 January 2025	(9,064)	(287)	(991)	(15,710)	–	(26,052)
Charge for the year	(5,774)	(176)	(944)	(7,785)	–	(14,679)
Written back on disposals	30	79	26	–	–	135
Currency translation difference . .	(40)	–	(30)	(3)	–	(73)
At 30 September 2025	(14,848)	(384)	(1,939)	(23,498)	–	(40,669)
Net book value:						
At 31 December 2023	8,436	506	2,533	15,746	–	27,221
At 31 December 2024	18,643	865	5,686	19,742	41,722	86,658
At 30 September 2025	29,317	765	5,424	19,418	43,303	98,227

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12 RIGHT-OF-USE ASSETS

	Properties leased for own use
	<i>RMB’000</i>
Cost:	
At 1 January 2023	20,271
Additions	62,452
Disposals	(35,021)
Currency translation difference	(3)
At 31 December 2023 and 1 January 2024	47,699
Additions	25,280
Disposals	(7,541)
Lease modification	(7,099)
Currency translation difference	516
At 31 December 2024 and 1 January 2025	58,855
Additions	26,695
Disposals	(6,083)
Lease modification	120
Currency translation difference	240
At 30 September 2025	79,827
Accumulated depreciation:	
At 1 January 2023	(6,982)
Charge for the year	(12,110)
Written back on disposals	2,812
Currency translation difference	12
At 31 December 2023 and 1 January 2024	(16,268)
Charge for the year	(15,199)
Written back on disposals	5,446
Currency translation difference	11
At 31 December 2024 and 1 January 2025	(26,010)
Charge for the period	(12,917)
Written back on disposals	2,495
Currency translation difference	88
At 30 September 2025	(36,344)
Net book value:	
At 31 December 2023	31,431
At 31 December 2024	32,845
At 30 September 2025	43,483

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	At 31 December		At 30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Depreciation charge of right-of-use assets by class of underlying asset:				
Properties leased for own use	12,110	15,199	11,064	12,917
Interest on lease liabilities (<i>Note 6(a)</i>) . .	1,571	1,375	1,059	984
Expense relating to short-term leases . . .	2,716	5,851	4,737	3,876
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	571	1,510	919	1,213

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The additions to right-of-use assets were primarily related to the capitalised lease payments payable under new tenancy agreements. The newly added leased properties are mainly for office and warehouse building.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 21(d), 26 and 32(b), respectively.

(a) Properties leased for own use

The Group has obtained the right to use properties and land through tenancy agreements. The leases typically run for an initial period of 1 to 5 years, which is the same as the useful lives of right-of-use assets.

Some leases include an option to terminate the lease before the end of the contract term. The Group considers it reasonably certain not to exercise the option to early terminate at lease commencement date.

13 DERIVATIVE FINANCIAL INSTRUMENTS

	Year ended 31 December		Nine months ended 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Derivative financial assets			
– held as cash flow forward instruments	–	2,428	–
Derivative financial liabilities			
– held as cash flow forward instruments	(168)	(1,676)	–
	<u>(168)</u>	<u>752</u>	<u>–</u>

14 INVESTMENTS IN SUBSIDIARIES

	At 31 December	At 30 September
	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Investment in a subsidiary	390,974	386,465
Deemed investments arising from share-based compensation expenses	<u>29,037</u>	<u>54,798</u>
	<u>420,011</u>	<u>441,263</u>

15 INVENTORIES

(a) Inventories in the consolidated of financial position comprise:

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Raw materials	43,064	60,955	86,993
Semi-finished products and work-in-progress . . .	30,739	21,043	34,693
Finished products	<u>260,101</u>	<u>351,037</u>	<u>735,777</u>
	<u>333,904</u>	<u>433,035</u>	<u>857,463</u>

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(b) The analysis of the amount of inventories recognised as costs and included in profit or loss is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2023	2024	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Carrying amount of inventories sold . . .	439,618	819,817	473,746	612,445
Write-down of inventories	4,247	2,111	2,549	2,027
	<u>443,865</u>	<u>821,928</u>	<u>476,295</u>	<u>614,472</u>

16 TRADE AND OTHER RECEIVABLES

The Group

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Trade receivables, net of loss allowance	49,006	50,575	76,033
Prepayments	11,137	11,836	14,848
VAT recoverable	20,269	24,701	35,514
Prepaid income tax (<i>Note 28(a)</i>)	74	4,647	58
Other receivables and deposits, net of loss allowance	23,566	21,885	31,604
	<u>104,052</u>	<u>113,644</u>	<u>158,057</u>

All of the trade and other receivables of the Group are expected to be recovered or recognised as expenses within one year.

As of the end of each reporting period, the ageing analysis of trade receivables of the Group (which are included in trade and other receivables) based on the invoice date and net of loss allowance, is as follows:

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within 1 year	47,860	49,447	75,713
Over 1 year but less than 2 years	1,133	568	256
Over 2 years but less than 3 years	13	560	64
	<u>49,006</u>	<u>50,575</u>	<u>76,033</u>

Details on the Group’s credit policy and credit risk arising from trade receivables are set out in Note 32(a).

The Company

	At 31 December	At 30 September
	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Amounts due from subsidiaries	<u>10,733</u>	<u>225,359</u>

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17 AMOUNTS DUE FROM SHAREHOLDERS

The Group

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Amounts due from shareholders	2,358	381,082	—
	<u> </u>	<u> </u>	<u> </u>

The Company

	At 31 December		At 30 September
	2024	2025	
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	
Amounts due from shareholders		370,522	—
		<u> </u>	<u> </u>

The amounts due from shareholders as at 31 December 2024 arose from the Reorganisation.

18 FINANCIAL ASSETS MEASURED AT FVPL

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Non-current assets			
Investment in unlisted equity securities	—	30,000	9,090
	<u> </u>	<u> </u>	<u> </u>
Current assets			
Wealth management products	11,353	—	251,206
	<u> </u>	<u> </u>	<u> </u>

The Group’s wealth management products which were non-principal guaranteed were purchased from banks with variable interest or variable return rate during the Track Record Period. Wealth management products of Nil, Nil and RMB7,816,000 (unaudited) were pledged for bank loans as at 31 December 2023 and 2024 and 30 September 2025 respectively.

19 TIME DEPOSITS

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Term deposits with initial terms over three months but within one year	28,983	15,803	25,983
	<u> </u>	<u> </u>	<u> </u>

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20 RESTRICTED CASH

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Restricted deposits pledged in respect of bills payable (i)	19,053	84,496	72,476
Restricted funds held on third-party platforms (ii)	11,142	10,961	12,503
Restricted cash for derivative financial instruments (iii)	–	–	56,986
Others	1,933	21	2,154
	<u>32,128</u>	<u>95,478</u>	<u>144,119</u>

- (i) Deposits pledged in respect of bills payable will be released upon its maturity within six months.
- (ii) Restricted funds held on e-commerce platforms will be released within two to fourteen days after the respective transaction.
- (iii) Restricted cash for derivative financial instruments are pledged for the purchase of foreign currency forward contracts.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Cash in hand	84	143	156
Cash at bank	454,753	936,805	1,031,572
Cash on third-party platforms	36,971	57,605	104,934
Cash and cash equivalents	<u>491,808</u>	<u>994,553</u>	<u>1,136,662</u>

The Company

	At 31 December	At 30 September
	2024	2025
	RMB'000	RMB'000 (unaudited)
Cash at bank	<u>19,999</u>	<u>205,435</u>

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(b) Reconciliation of profit before taxation to cash generated from/(used in) operations:

	Note	Year ended 31 December		Nine months ended 30 September	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Profit before taxation		117,465	147,751	38,447	72,442
Adjustments for:					
Depreciation of property, plant and equipment	6(c)	5,336	12,565	7,669	14,679
Depreciation of right-of-use assets	6(c)	12,110	15,199	11,064	12,917
Amortisation of intangible assets	6(c)	71	273	196	163
Net loss/(gain) on disposal of property, plant and equipment and right-of-use assets	5	2,344	1,158	105	(410)
Finance costs	6(a)	74,937	90,955	65,989	74,743
Bank interest income	5	(6,342)	(19,426)	(12,966)	(21,580)
Net gain on financial assets measured at FVPL	5	(171)	(4,949)	(4,163)	(1,953)
Net loss/(gain) on derivatives financial instruments	5	23	(3,038)	(820)	(572)
Share-based compensation expenses	6(b)	–	29,037	16,668	25,761
Changes in working capital:					
Increase in inventories		(149,529)	(99,131)	(155,442)	(424,428)
Decrease/(increase) in restricted cash		18,132	(63,350)	(62,729)	8,345
Increase in trade and other receivables		(37,502)	(179)	(741)	(45,436)
Increase in trade and other payables		255,477	203,456	42,234	41,164
Increase in contract liabilities		71,387	51,951	11,644	11,435
Increase in other current liabilities		1,280	2,416	2,401	841
Decrease/(increase) in other non-current assets		317	(2,353)	(2,277)	674
Increase in other non-current liabilities		1,117	1,240	470	846
Cash generated from/(used in) operations		<u>366,452</u>	<u>363,575</u>	<u>(42,251)</u>	<u>(230,369)</u>

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(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group’s liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group’s cash flow statement as cash flows from financing activities.

	<u>Bank loans</u>	<u>Lease liabilities</u>	<u>Total</u>
	<i>RMB’000</i> <i>(Note 25)</i>	<i>RMB’000</i> <i>(Note 26)</i>	<i>RMB’000</i>
At 1 January 2023	14,052	14,110	28,162
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(10,702)	(10,702)
Interest element of lease rentals paid	–	(1,571)	(1,571)
Proceeds from bank loans	106,299	–	106,299
Repayment of bank loans	(20,996)	–	(20,996)
Total changes from financing cash flows	<u>85,303</u>	<u>(12,273)</u>	<u>73,030</u>
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	62,452	62,452
Decrease in lease liabilities due to disposal of right-of-use assets	–	(32,373)	(32,373)
Interest expenses (<i>Note 6(a)</i>)	1,215	1,571	2,786
Total other changes	<u>1,215</u>	<u>31,650</u>	<u>32,865</u>
Exchange adjustments	<u>(231)</u>	<u>9</u>	<u>(222)</u>
At 31 December 2023	<u>100,339</u>	<u>33,496</u>	<u>133,835</u>

	<u>Bank loans</u>	<u>Lease liabilities</u>	<u>Total</u>
	<i>RMB’000</i> <i>(Note 25)</i>	<i>RMB’000</i> <i>(Note 26)</i>	<i>RMB’000</i>
At 1 January 2024	100,339	33,496	133,835
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(15,251)	(15,251)
Interest element of lease rentals paid	–	(1,375)	(1,375)
Proceeds from bank loans	451,000	–	451,000
Repayment of bank loans	(252,951)	–	(252,951)
Total changes from financing cash flows	<u>198,049</u>	<u>(16,626)</u>	<u>181,423</u>
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	25,280	25,280
Decrease in lease liabilities due to disposal of right-of-use assets	–	(2,214)	(2,214)
Modification in lease liabilities	–	(7,099)	(7,099)
Interest expenses (<i>Note 6(a)</i>)	8,672	1,375	10,047
Total other changes	<u>8,672</u>	<u>17,342</u>	<u>26,014</u>
Exchange adjustments	<u>–</u>	<u>503</u>	<u>503</u>
At 31 December 2024	<u>307,060</u>	<u>34,715</u>	<u>341,775</u>

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	Bank loans	Lease liabilities	Redeemable preferred shares	Total
	<i>RMB'000</i> <i>(Note 25)</i>	<i>RMB'000</i> <i>(Note 26)</i>	<i>RMB'000</i> <i>(Note 29)</i>	<i>RMB'000</i>
(Unaudited)				
At 1 January 2025	307,060	34,715	805,014	1,146,789
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(13,740)	–	(13,740)
Interest element of lease rentals paid	–	(984)	–	(984)
Proceeds from issuance of redeemable preferred shares to investors	–	–	335,579	335,579
Proceeds from bank loans	510,115	–	–	510,115
Repayment of bank loans	(336,710)	–	–	(336,710)
Total changes from financing cash flows	173,405	(14,724)	335,579	494,260
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	26,695	–	26,695
Decrease in lease liabilities due to disposal of right-of-use assets	–	(3,946)	–	(3,946)
Modification in lease liabilities	–	120	–	120
Changes in the carrying amount of redeemable preferred shares (<i>Note 6(a)</i>)	–	–	63,446	63,446
Decrease in liabilities arising from changes in interest rates for preferred shares	–	–	(235,825)	(235,825)
Interest expenses (<i>Note 6(a)</i>)	10,313	984	–	11,297
Total other changes	10,313	23,853	(172,379)	(138,213)
Exchange adjustments	–	333	(9,696)	(9,363)
At 30 September 2025	490,778	44,177	958,518	1,493,473

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	Bank loans	Lease liabilities	Total
	<i>RMB’000</i> <i>(Note 25)</i>	<i>RMB’000</i> <i>(Note 26)</i>	<i>RMB’000</i>
(Unaudited)			
At 1 January 2024	100,339	33,496	133,835
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(10,899)	(10,899)
Interest element of lease rentals paid	–	(1,059)	(1,059)
Proceeds from bank loans	376,000	–	376,000
Repayment of bank loans	(148,595)	–	(148,595)
Total changes from financing cash flows	227,405	(11,958)	215,447
Other changes:			
Increase in lease liabilities from entering into new leases during the year	–	23,044	23,044
Decrease in lease liabilities due to disposal of right-of-use assets	–	(2,214)	(2,214)
Modification in lease liabilities	–	(7,099)	(7,099)
Interest expenses <i>(Note 6(a))</i>	5,408	1,059	6,467
Total other changes	5,408	14,790	79,720
Exchange adjustments	–	503	503
At 30 September 2024	333,152	36,831	369,983

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprise the following:

	At 31 December		At 30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Within operating cash flows	3,287	7,361	5,656	5,089
Within financing cash flows	12,273	16,626	11,958	14,724
	15,560	23,987	17,614	19,813

These amounts are related to lease rentals paid.

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22 TRADE AND OTHER PAYABLES

The Group

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Trade payables	218,488	232,340	331,930
Bills payable (i)	18,744	84,073	93,360
Accrued payroll	69,663	114,245	78,001
Other tax payables	76,556	102,824	83,792
Payables for investment in unlisted equity securities	–	15,000	1,580
Other payables and accruals	81,981	136,133	122,758
	<u>465,432</u>	<u>684,615</u>	<u>711,421</u>

(i) Bills payable are pledged by deposits for issuance of bills payable (Note 20).

The Company

	At 31 December	At September 30
	2024	2025
	RMB'000	RMB'000 (unaudited)
Payables for investment in a subsidiary	<u>386,803</u>	<u>–</u>

As of the end of each reporting period, the ageing analysis of trade payables and bills payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year	233,708	315,553	424,130
Over 1 year but less than 2 years	2,753	50	307
Over 2 years but less than 3 years	47	45	80
Over 3 years	724	765	773
	<u>237,232</u>	<u>316,413</u>	<u>425,290</u>

23 AMOUNTS DUE TO SHAREHOLDERS

The Group

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Amounts due to certain shareholders arising from the Reorganisation	–	381,180	–
Deposit and advance payment from certain shareholders for the issuance of Series D preferred shares (i)	–	–	200,063
	–	<u>381,180</u>	<u>200,063</u>

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The Company

	At 31 December		At 30 September	
	2024		2025	
	RMB'000		RMB'000 (unaudited)	
Advance payment from certain shareholders for the issuance of Series D preferred shares (i)	–	–	83,063	83,063

(i) Deposits and advance payment from the shareholders for the issuance of Series D preferred shares are either refunded or converted as redeemable preferred shares upon the completion of Series D preferred shares registration as set out in Note 35.

Amounts due to shareholders are unsecured, interest-free and repayable on demand.

24 CONTRACT LIABILITIES

Contract liabilities mainly represent the advance payments (excluding output VAT) from customers, for which the underlying goods and services are yet to be provided. The output VAT contained in the advance payments has been classified under trade and other payables.

	At 31 December		At 30 September	
	2023		2024	
	RMB'000		RMB'000	
Advanced payment received	84,448	132,423	134,642	134,642
Customer loyalty scheme	2,592	6,568	15,784	15,784
	<u>87,040</u>	<u>138,991</u>	<u>150,426</u>	<u>150,426</u>

Contract liabilities are expected to be settled within the Group’s normal operating cycle and will be recognised as revenue when the related performance obligations are satisfied. The management of the Group expects most of the contract liabilities at the reporting period end will be recognised as revenue within 12 months, expect that certain contract liabilities related to the customer loyalty scheme will be recognised as revenue when the points are redeemed by the customers, which are expected to occur over the next 24 months.

25 BANK LOANS

(a) Bank loans were secured as follows:

	Note	At 31 December		At 30 September	
		2023		2024	
		RMB'000		RMB'000	
Bank loans					
–Secured and pledged (i)		–	–	3,531	3,531
–Unsecured and guaranteed (ii)	34(b)	96,339	307,060	487,247	487,247
–Unsecured and unguaranteed		4,000	–	–	–
		<u>100,339</u>	<u>307,060</u>	<u>490,778</u>	<u>490,778</u>

(i) Wealth management products with carrying amount of RMB7,816,000 (unaudited) as at 30 September were pledged against the bank loans.

(ii) Bank loans were guaranteed by a director as at 31 December 2023 and 2024 and 30 September 2025.

(b) The analysis of the repayment schedule and covenants of bank loans is as follows:

	At 31 December		At 30 September	
	2023		2024	
	RMB'000		RMB'000	
Within 1 year or on demand	100,339	307,060	490,778	490,778

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Certain of banking facilities are subject to the fulfilment of covenants. Some of those are related to financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the related loans would become payable on demand. As at 31 December 2023 and 2024 and 30 September 2025, none of the covenants relating to drawn down facilities had been breached.

26 LEASE LIABILITIES

As of the end of each reporting period, the lease liabilities were repayable as follows:

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year	13,763	15,899	15,537
	-----	-----	-----
After 1 year but within 2 years	11,403	11,840	10,507
After 2 years but within 5 years	8,330	6,976	18,133
	-----	-----	-----
	19,733	18,816	28,640
	-----	-----	-----
	33,496	34,715	44,177
	=====	=====	=====

27 OTHER LIABILITIES

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Warranty provisions			
– Within 1 year	6,873	9,289	10,130
– More than 1 year	1,117	2,357	3,203
	-----	-----	-----
	7,990	11,646	13,333
	=====	=====	=====

Under the terms of the Group’s sales agreements, the Group offers warranties for its products (see Note 2(u)(i)). Provision is therefore made for the best estimate of the expected settlement under these agreements in respect of sales made within the warranty periods prior to the end of the reporting period. The amount of provision takes into account the Group’s recent claim experience and is only made where a warranty claim is probable.

28 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

(i) *Balances of current taxation*

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Income tax payables	2,215	4,896	25,761
Prepaid income tax (Note 16)	(74)	(4,647)	(58)
	-----	-----	-----
	2,141	249	25,703
	=====	=====	=====

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(ii) *Movement of balances of current taxation*

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Balance at 1 January	15	2,141	249
Provision for current income tax for the year/period	4,086	6,976	22,786
Under provision in respect of prior years	65	–	612
(Payment)/refund during the year/period	(2,026)	(8,845)	2,525
Effect of foreign exchange rate changes and others	1	(23)	(469)
Balance at 31 December/30 September	<u>2,141</u>	<u>249</u>	<u>25,703</u>

(b) Deferred tax assets and liabilities recognised:

(i) *Movement of each component of deferred tax assets*

The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the year/period are as follows:

	Tax losses carry forward	Credit loss allowance	Inventory provision	Lease liabilities	Unrealised profit of intra- group sales	Right-of- use assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	19,261	276	390	1,871	34,732	(1,810)	–	54,720
(Charged)/credited to profit or loss	(18,416)	554	943	324	7,198	(268)	7,274	(2,391)
At 31 December 2023 and 1 January 2024	845	830	1,333	2,195	41,930	(2,078)	7,274	52,329
Credited/(charged) to profit or loss	6,159	(221)	22	(20)	375	47	1,384	7,746
At 31 December 2024 and 1 January 2025	7,004	609	1,355	2,175	42,305	(2,031)	8,658	60,075
Credited/(charged) to profit or loss	33,436	343	1,014	1,102	6,164	(1,116)	(6,875)	34,068
At 30 September 2025	<u>40,440</u>	<u>952</u>	<u>2,369</u>	<u>3,277</u>	<u>48,469</u>	<u>(3,147)</u>	<u>1,783</u>	<u>94,143</u>

(ii) Deferred tax assets not recognised:

In accordance with the accounting policy set out in Note 2(s), as at 31 December 2023 and 2024 and 30 September 2025, certain entities of the Group have not recognised deferred tax assets in respect of their cumulative losses of RMB143,430,000, RMB184,916,000 and RMB197,464,000 (unaudited), and temporary differences of RMB456,000, RMB3,450,000 and RMB1,802,000 (unaudited), respectively as certain entities of the Group are not considered probable that taxable profits in foreseeable future will be available against which the tax losses or temporary differences can be utilised.

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Information about the deferred tax assets not recognised set out below:

	At 31 December		At 30 September
	2023	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)
Unrecognised tax losses arising from Chinese Mainland			
– due within 5-10 years	124,627	152,694	167,325
Unrecognised tax losses arising from overseas entities outside of Chinese Mainland			
– due within 10 years	14,867	15,143	11,045
– no expiry date	3,936	17,079	19,094
Total unrecognised tax losses	143,430	184,916	197,464
Unrecognised temporary differences	456	3,450	1,802
	<u>143,886</u>	<u>188,366</u>	<u>199,266</u>

(c) Deferred tax liabilities not recognised:

The Corporate Income Tax Law of the PRC and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty/arrangement, for dividend distributions out of earnings of PRC enterprises accumulated beginning on 1 January 2008. As at 31 December 2023 and 2024 and 30 September 2025, the Group has not recognised deferred tax liabilities in respect of undistributed earnings of Nil, RMB132,917,000 and RMB227,705,000 as the Company controls the dividend policy of the subsidiaries and it has been determined that these profits will not be distributable in the foreseeable future.

29 FINANCIAL LIABILITIES ISSUED TO INVESTORS/REDEEMABLE PREFERRED SHARES

(a) Financial liabilities issued to investors

As of 1 January 2023, Shenzhen xTool had completed the Series Angel, Series A, Series B and Series C financings during the period of 2013 to September 2018 from certain third-party investors through capital subscription of Shenzhen xTool’s registered capital. Shenzhen xTool granted preferential redemption rights and liquidation rights to the Series C, Series B and Series A investors, while the Series Angel investors are not entitled to any preferential redemption right or liquidation right. The key terms of the preferred rights granted to the abovementioned Series C, Series B and Series A investors are summarised as follows:

Redemption rights

Series A, Series B and Series C investors shall have a right to require the Shenzhen xTool to redeem all or part of their investments upon the occurrence of certain contingent events including but not limited to the failure of a qualified [REDACTED] before a specified date or a material breach on the agreement by the Group or the founder.

The redemption price for Series C, Series B and Series A investors shall equal to the sum of (i) the actual investment amount, plus (ii) an internal rate of return of 12% or 8%, or a compound annual rate of return of 10%, plus (iii) any declared but unpaid cumulative dividends.

In the event of any liquidation or deemed liquidation events, the liquidation price of Series C, Series B and Series A investors equals to higher of (i) the investment amount plus a simple annual interest rate of 8%; or (ii) the proportionate entitlement to the distributable assets based on their shareholding in the Group, and in the priority order of the Series C investors, the Series B investors and then the Series A investors. The deemed liquidation events includes but not limited to circumstances beyond the Group’s control that renders the Group in difficulty to continue in the normal course of business or material adverse effect on the Group’s business or operations.

The Company recognised its obligation to pay cash to those investors with redemption rights and liquidation preferences as financial liabilities issued to investors, because not all triggering events are within the control of the Company.

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As part of the Reorganisation in 2024, the above financial liabilities issued by Shenzhen xTool were replaced by the redeemable preferred shares issued by the Company.

The movements of the financial liabilities issued to investors during the Track Record Period are as follows:

	At 31 December 2023	At 31 December 2024
	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
At the beginning of the year	645,282	717,433
Changes in the carrying amount of financial liabilities issued to investors	72,151	62,692
Effect arising from the Reorganisation	–	(780,125)
At the end of the year	<u>717,433</u>	<u>–</u>

(b) Redeemable preferred shares

As part of the Reorganisation in 2024, the Company allotted and issued a total of 36,340,028 Series Angel preferred shares, 31,914,848 Series A preferred shares, 16,561,439 Series B preferred shares and 23,718,005 Series C preferred shares with certain preferential rights, to replace the financial liabilities issued by Shenzhen xTool. The redemption rights and liquidation preference attached to the preferred shares were carried over from the corresponding financial liabilities previously issued to these investors. In addition, each preferred shareholder shall be entitled to convert any or all of preferred shares, at any time, into such number of ordinary shares at an initial conversion ratio of 1:1 subject to customary anti-dilution adjustments, and each preferred share shall automatically be converted into the appropriate number of ordinary shares at the then-effective conversion price in effect at the time immediately upon the closing of a qualified [REDACTED]. Moreover, each preferred share shall be entitled to the number of votes equal to the number of ordinary shares into which such preferred shares could be converted.

In September 2025, the Company further consummated the issuance of 11,672,005 Series D preferred shares with similar preferential redemption and liquidation rights at a price determined by the initial investment amount plus an interest and declared but unpaid cumulative dividends upon the occurrence of redemption events or liquidation events.

Upon the issuance of Series D preferred shares, certain amendments were made to the Series A, Series B and Series C preferred shares, including (i) the redemption date was postponed to the fourth anniversary of the Series D preferred shares issuance date, (ii) the interest rates in redemption events and liquidation events were revised, and (iii) the redemption rights attached to preferred shares held by certain investors were removed. As a result of the above amendments on the terms, the Group recognised an addition in capital reserve of RMB235,825,000 for the nine months ended 30 September 2025.

The redemption rights shall be terminated prior to the first filing of the [REDACTED] of the Company, and all of the other special rights of the preferred shareholders will be automatically terminated before the [REDACTED] of the Company’s shares on the Stock Exchange.

Authorised preferred shares

	Number of shares	Amount
		<i>USD'000</i>
At 13 June 2024 (date of incorporation)	–	–
Effect arising from Reorganisation	108,534,320	11
Balance at 31 December 2024 and 1 January 2025	108,534,320	11
Issuance of preferred shares	19,850,498	2
Balance at 30 September 2025	<u>128,384,818</u>	<u>13</u>

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The movement of preferred shares issued and fully paid as follows.

	<u>Number of shares</u>	<u>Amount</u>	<u>Amount</u>
		<i>USD’000</i>	<i>RMB’000</i>
At 13 June 2024 (date of incorporation)	–	–	–
Effect arising from Reorganisation	<u>108,534,320</u>	<u>11</u>	<u>78</u>
Balance at 31 December 2024 and			
1 January 2025	108,534,320	11	78
Issuance of preferred shares	<u>11,672,005</u>	<u>1</u>	<u>8</u>
Balance at 30 September 2025	<u><u>120,206,325</u></u>	<u><u>12</u></u>	<u><u>86</u></u>

The movements of the financial liabilities recognised for the redeemable preferred shares during the Track Record Period are as follows:

	<u>At 31 December</u>	<u>At 30 September</u>
	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
At beginning of the year/period	–	805,014
Effect arising from the Reorganisation	780,125	–
Changes in the carrying amount of redeemable preferred shares	18,216	63,446
Issuance of redeemable preferred shares	–	335,579
Decrease in liabilities arising from the modifications upon issuance of Series D preferred shares	–	(235,825)
Currency translation difference	<u>6,673</u>	<u>(9,696)</u>
At the end of the year/period	<u><u>805,014</u></u>	<u><u>958,518</u></u>

30 SHARE-BASED COMPENSATION EXPENSES

Share Option Schemes

In April 2024, Shenzhen xTool granted 11,840,000 share options as equity-based awards to qualified employees with the purpose of motivating and rewarding certain employees.

As part of the Reorganisation, in October 2024, the Company adopted a share option plan (the “2024 Share Option Scheme”) and granted a total of 11,840,000 share options to entirely replace the previous share options in April 2024. Compared with previous share options, there were no changes between the new and predecessor share option scheme other than the change of issuer of share options from Shenzhen xTool to the Company. Meanwhile, under the 2024 Share Option Scheme, the Company further granted an additional 2,841,500 share options to the employees.

In August 2025, the Company adopted a new share option plan (the “2025 Share Option Scheme”) as the reward, the number of 5,047,000 share options were granted to the employees.

Both the share options under the 2024 Share Option Scheme and 2025 Share Option Scheme have a contractual term of eight years from the grant date. The share options are vested over a period of one to four years of continuous service under four different schedules: (i) 25% of which vest upon each anniversary of the stated vesting commencement date over the four years, (ii) 50% of which vest upon the first anniversary of the stated vesting commencement date and the remaining 50% vested over the following two years on an annual basis, (iii) 75% of which vest upon the first anniversary of the stated vesting commencement date and the remaining 25% vested upon the second anniversary of the stated vesting commencement date, or (iv) 100% of which fully vest upon the first anniversary of the stated vesting commencement date. In addition to the service condition above, the granted options are also subjected to the grantees’ certain performance-based conditions. The share options under the 2024 Share Option Scheme and 2025 Share Option Scheme do not contain the repurchase obligation by the Company.

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The share options under the 2024 Share Option Scheme and 2025 Share Option Scheme shall be not exercisable until it is vested according to the option agreement and the Company has consummated a qualified [REDACTED].

(i) The number of share options granted to employees is summarised as follows:

	At 31 December		At 30 September
	2023	2024	2025
			(unaudited)
Outstanding as at the beginning of the year/period	–	–	14,571,500
Granted	–	14,681,000	5,047,000
Forfeited	–	(110,000)	(990,000)
Outstanding as at the end of the year/period	–	14,571,000	18,628,500
Exercisable at the end of the year/period	–	–	–

(ii) *Fair value of share options and assumptions*

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of the fair value of the newly granted share options is measured based on the binomial lattice model.

	At 31 December		At 30 September
	2023	2024	2025
			(unaudited)
Fair value at grant date	–	RMB5.11 to RMB5.12	RMB12.81
Exercise price	–	RMB0.26	RMB0.26
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	–	53.08%-53.12%	52.81%
Expected dividend yield	–	0%	0%
Average risk-free interest rate	–	2.2%	1.8%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. The valuation of the options is based on the best estimates from Company by taking into account a number of assumptions and is subject to limitation of the valuation model. Changes in the subjective input assumptions could materially affect the fair value estimate.

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31 CAPITAL, RESERVES AND DIVIDENDS

(a) Share Capital

The Company was incorporated in the Cayman Islands on 13 June 2024 with authorised share capital of USD50,000 divided into (i) 371,615,182 ordinary shares of par value of USD0.0001 each, (ii) 36,340,028 Series Angel Preferred Shares of par value of USD0.0001 each, (iii) 31,914,848 Series A Preferred Shares of par value of USD0.0001 each, (iv) 16,561,439 Series B Preferred Shares of par value of USD0.0001 each, (v) 23,718,005 Series C Preferred Shares of par value of USD0.0001 each, and (vi) 19,850,498 Series D Preferred Shares of par value of USD0.0001 each.

The Company established certain trust companies in November 2024 for the purpose of issuing ordinary shares to the grantees upon their exercise of share options. All the ordinary shares issued to the trust companies are presented as shares held for share-based compensation in the Company’s consolidated balance sheets. For the years ended 31 December 2023 and 2024, the Company issued 18,769,391 and 19,346,270 ordinary shares to these trust companies.

Details of movement of the authorised, issued and fully paid share capital of the Company are as follows:

Authorised ordinary share capital

	<u>Number of shares</u>	<u>Amount</u>
		<i>USD’000</i>
At 13 June 2024 (date of incorporation)	–	–
Effect arising from the Reorganisation	391,465,680	39
Balance at 31 December 2024 and 1 January 2025	391,465,680	39
Reduction of authorised ordinary shares	(19,850,498)	(2)
Balance at 30 September 2025	<u>371,615,182</u>	<u>37</u>

Ordinary shares, issued and fully paid

	<u>Number of ordinary shares</u>	<u>Number of shares held for share-based compensation</u>	<u>Total shares</u>	<u>Amount</u>	<u>Amount</u>
				<i>USD’000</i>	<i>RMB’000</i>
At 13 June 2024 (date of incorporation)	–	–	–	–	–
Issuance of ordinary shares	128,644,204	(18,769,391)	109,874,813	13	90
Balance at 31 December 2024 and 1 January 2025	128,644,204	(18,769,391)	109,874,813	13	90
Issuance of ordinary shares	19,346,270	(19,346,270)	–	–	–
Balance at 30 September 2025	<u>147,990,474</u>	<u>(38,115,661)</u>	<u>109,874,813</u>	<u>13</u>	<u>90</u>

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(b) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group’s consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company’s individual components of equity during the Track Record Period are set out below:

	Share capital	Capital reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total deficit
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Note</i>	<i>31(a)</i>	<i>31(c)(i)</i>	<i>31(c)(ii)</i>	<i>31(c)(iv)</i>		
At 13 June 2024 (date of incorporation)	-	-	-	-	-	-
Changes in equity for the period in 2024:						
Loss for the period	-	-	-	-	(23,340)	(23,340)
Other comprehensive income	-	-	-	(451)	-	(451)
Total comprehensive income for the year	-	-	-	(451)	(23,340)	(23,791)
Capital injection from shareholders <i>31(a)</i>	90	-	-	-	-	90
Effect arising from the Reorganisation	-	(375,888)	-	-	-	(375,888)
Share-based compensation expenses <i>6(b)</i>	-	-	29,037	-	-	29,037
Balance at 31 December 2024	<u>90</u>	<u>(375,888)</u>	<u>29,037</u>	<u>(451)</u>	<u>(23,340)</u>	<u>(370,552)</u>

	Share capital	Capital reserve	Share-based compensation reserve	Exchange reserve	Accumulated losses	Total deficit
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Note</i>	<i>31(a)</i>	<i>31(c)(i)</i>	<i>31(c)(ii)</i>	<i>31(c)(iv)</i>		
(Unaudited)						
Balance at 1 January 2025	90	(375,888)	29,037	(451)	(23,340)	(370,552)
Changes in equity for the nine months ended 30 September 2025:						
Loss for the period	-	-	-	-	(65,639)	(65,639)
Other comprehensive income	-	-	-	5,081	-	5,081
Total comprehensive income for the period	-	-	-	5,081	(65,639)	(60,558)
Effect arising from changes in interest rates for preferred shares <i>31(a)</i>	-	235,825	-	-	-	235,825
Share-based compensation expenses <i>6(b)</i>	-	-	25,761	-	-	25,761
Balance at 30 September 2025 (unaudited)	<u>90</u>	<u>(140,063)</u>	<u>54,798</u>	<u>4,630</u>	<u>(88,979)</u>	<u>(169,524)</u>

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(c) Nature and purposes of reserves

(i) Capital reserve

The capital reserve mainly comprises the net contributions from the investors.

(ii) Share-based compensation reserve

The share-based compensation reserve represents the portion of the grant date fair value granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based compensation expenses in Note 2(r)(ii).

(iii) PRC statutory reserve

According to the PRC Company Law, the Company’s PRC subsidiaries are required to transfer 10% of their profit after taxation, as determined under the PRC accounting regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. For the purpose of calculating the transfer to reserve, the profit after taxation shall be the amount determined based on the statutory financial statements prepared in accordance with PRC accounting standards. The transfer to this reserve must be made before distribution of dividend to shareholders. Statutory reserve fund can be used to cover previous years’ losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in Note 2(v).

(d) Dividends

No dividends have been declared by the Company during the Track Record Period.

(e) Capital management

The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group’s business.

The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group’s credit risk is primarily attributable to trade and other receivables.

The Group’s exposure to credit risk arising from cash and cash equivalents, restricted cash and time deposits with more than three months to maturity is limited because the counterparties are state-owned banks or reputable commercial banks for which the Group considers to have low credit risk.

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Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 days to 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The trade receivables from the Group’s five largest customers at 31 December 2023 and 2024 and 30 September 2025 represented 23%, 27% and 30% of the total trade receivables respectively, while 3%, 22% and 9% of the total trade receivables were due from the largest single customer respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group’s historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on billing aging status is not further distinguished between the Group’s different customer bases.

The following table provides information about the Group’s exposure to credit risk and ECLs for trade receivables:

	2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Within 1 year	5.84%	50,826	2,966
Over 1 year but less than 2 years	10.01%	1,259	126
Over 2 years but less than 3 years	50.00%	26	13
More than 3 years	100.00%	59	59
		<u>52,170</u>	<u>3,164</u>

	2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
Within 1 year	3.99%	51,504	2,057
Over 1 year but less than 2 years	9.98%	631	63
Over 2 years but less than 3 years	50.00%	1,120	560
More than 3 years	100.00%	68	68
		<u>53,323</u>	<u>2,748</u>

	As at 30 September 2025		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB’000	RMB’000
(Unaudited)			
Within 1 year	4.06%	78,917	3,204
Over 1 year but less than 2 years	10.18%	285	29
Over 2 years but less than 3 years	50.00%	128	64
More than 3 years	100.00%	1,150	1,150
		<u>80,480</u>	<u>4,447</u>

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Expected loss rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group’s view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the Track Record Period is as follows:

	At 31 December		At 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Balance at 1 January	(2,207)	(3,164)	(2,748)
Impairment losses (recognised)/reversed during the year/period	(945)	419	(1,605)
Currency translation differences	(12)	(3)	(94)
Balance at 31 December/30 September . . .	<u>(3,164)</u>	<u>(2,748)</u>	<u>(4,447)</u>

Other receivables and deposits

Credit risk in respect of other receivables and deposits is limited since the balance mainly includes deposits for short-term leases and export tax rebates.

The Group measures loss allowances for other receivables and deposits at an amount equal to 12-month ECLs unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The Group assessed that there is no significant loss allowance recognised in accordance with IFRS 9 for other receivables and deposits as at 31 December 2023 and 2024 and 30 September 2025.

(b) Liquidity risk

The Group’s policy is to regularly monitor liquidity requirements, and to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group’s financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay.

	At 31 December 2023				
	Contractual undiscounted cash outflow				Carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	
Bank loans	101,897	–	–	101,897	100,339
Trade and other payables	465,432	–	–	465,432	465,432
Lease liabilities	15,950	12,008	9,573	37,531	33,496
Financial liabilities issued to investors	717,433	–	–	717,433	717,433
	<u>1,300,712</u>	<u>12,008</u>	<u>9,573</u>	<u>1,322,293</u>	<u>1,316,700</u>

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	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Bank loans	310,863	–	–	310,863	307,060
Trade and other payables	684,615	–	–	684,615	684,615
Amounts due to shareholders	381,180	–	–	381,180	381,180
Lease liabilities	17,658	12,136	7,077	36,871	34,715
Redeemable preferred shares	805,014	–	–	805,014	805,014
	<u>2,199,330</u>	<u>12,136</u>	<u>7,077</u>	<u>2,218,543</u>	<u>2,212,584</u>

At 30 September 2025

	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
(Unaudited)					
Bank loans	496,395	–	–	496,395	490,778
Trade and other payables	711,421	–	–	711,421	711,421
Amounts due to shareholders	200,063	–	–	200,063	200,063
Lease liabilities	18,226	11,812	19,182	49,220	44,177
Redeemable preferred shares	958,518	–	–	958,518	958,518
	<u>2,384,623</u>	<u>11,812</u>	<u>19,182</u>	<u>2,415,617</u>	<u>2,404,957</u>

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s interest rate risk arises primarily from interest-bearing borrowings. The Group’s interest-bearing borrowings at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. However, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest risk exposure.

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(i) Interest rate risk profile

The Group’s interest-bearing borrowings and lease liabilities’ interest rates profile at the end of each reporting period are set out as follows:

	At 31 December		At 30 September
	2023	2024	2025
	RMB’000	RMB’000	RMB’000 (unaudited)
Fixed rate instruments			
Bank loans	90,325	307,060	390,707
Lease liabilities	33,496	34,715	44,177
	<u>123,821</u>	<u>341,775</u>	<u>434,884</u>
Variable rate instruments			
Bank loans	10,014	–	100,071
	<u>10,014</u>	<u>–</u>	<u>100,071</u>

(ii) Sensitivity analysis

At 31 December 2023 and 2024 and 30 September 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decrease/increase in the Group’s profit after tax and accumulated losses as follows.

	Increase/(decrease) in basis points	(Decrease)/increase in profit after tax for the year/period	(Decrease)/increase in accumulated losses for the year/period
		RMB’000	RMB’000
At 31 December 2023			
Basis points	100	85	(85)
Basis points	(100)	(85)	85
At 31 December 2024			
Basis points	100	–	–
Basis points	(100)	–	–
At 30 September 2025			
Basis points	100	835	(835)
Basis points	(100)	(835)	835

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars (“USD”), Euros (“EUR”), RMB and Japanese yen (“JPY”).

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(i) *Exposure to currency risk*

The following table details the Group’s exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year-end date. Differences resulting from the translation of the financial statements of foreign operations into the Group’s presentation currency are excluded.

Exposure to foreign currencies as at 31 December 2023 (expressed in RMB)				
	<i>USD</i>	<i>EUR</i>	<i>RMB</i>	<i>JPY</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and cash equivalents	165,292	31,511	809	9,885
Restricted cash	11,830	–	–	–
Time deposits	21,743	–	–	–
Trade and other receivables	558,925	22,877	1,606	10,427
Trade and other payables	(306,881)	(1,412)	(279,000)	(64)
	<u>450,909</u>	<u>52,976</u>	<u>(276,585)</u>	<u>20,248</u>

Exposure to foreign currencies as at 31 December 2024 (expressed in RMB)				
	<i>USD</i>	<i>EUR</i>	<i>RMB</i>	<i>JPY</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and cash equivalents	332,650	53,434	33,518	8,841
Restricted cash	11,717	–	–	–
Time deposits	–	–	15,803	–
Trade and other receivables	849,678	23,023	1,147,177	17,854
Trade and other payables	(450,232)	(4,121)	(1,060,935)	(9,268)
	<u>743,813</u>	<u>72,336</u>	<u>135,563</u>	<u>17,427</u>

Exposure to foreign currencies as at 30 September 2025 (expressed in RMB)				
	<i>USD</i>	<i>EUR</i>	<i>RMB</i>	<i>JPY</i>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and cash equivalents	460,346	24,365	4,174	2,451
Restricted cash	72,476	–	–	–
Time deposits	25,983	–	–	–
Trade and other receivables	1,328,244	3,286	696	27,660
Trade and other payables	(1,269,813)	(19,034)	(19,179)	(18,043)
	<u>617,236</u>	<u>8,617</u>	<u>(14,309)</u>	<u>12,068</u>

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(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group’s profit after tax (and accumulated losses) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	At 31 December 2023		At 31 December 2024		At 30 September 2025	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and accumulated losses	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and accumulated losses	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and accumulated losses
	RMB’000		RMB’000		RMB’000 (unaudited)	
USD	5%	19,467	5%	31,860	5%	25,179
	(5)%	(19,467)	(5)%	(31,860)	(5)%	(25,179)
EUR	5%	2,218	5%	3,068	5%	351
	(5)%	(2,218)	(5)%	(3,068)	(5)%	(351)
RMB	5%	(10,431)	5%	9,514	5%	(2,889)
	(5)%	10,431	(5)%	(9,514)	(5)%	2,889
JPY	5%	853	5%	734	5%	381
	(5)%	(853)	(5)%	(734)	(5)%	(381)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities’ profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group’s presentation currency. The analysis is performed on the same basis during the Track Record Period.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

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The Group has a team performing valuations for the financial instruments categories into Level 2 and Level 3 of the fair value hierarchy. The team reports directly to the chief financial officer. Valuation assessment with analysis of changes in fair value measurement is prepared by the team at each reporting date and is reviewed and approved by the chief financial officer.

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets at FVPL:				
- Wealth management products . . .	11,353	-	-	11,353
- Derivative financial liabilities . . .	(168)	-	(168)	-
	<u>11,185</u>	<u>-</u>	<u>(168)</u>	<u>11,353</u>

	Fair value at 31 December 2024	Fair value measurements as at 31 December 2024 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets at FVPL:				
- Unlisted equity securities	30,000	-	30,000	-
- Derivative financial liabilities . . .	(1,676)	-	(1,676)	-
- Derivative financial assets	2,428	-	2,428	-
	<u>30,752</u>	<u>-</u>	<u>30,752</u>	<u>-</u>

	Fair value at 30 September 2025	Fair value measurements as at 30 September 2025 categorised into		
		Level 1	Level 2	Level 3
	RMB'000 (unaudited)	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets at FVPL:				
- Unlisted equity securities	9,090	-	9,090	-
- Wealth management products . . .	251,206	-	-	251,206
	<u>260,296</u>	<u>-</u>	<u>9,090</u>	<u>251,206</u>

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

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Information about Level 2 fair value measurements

The fair values of derivative financial instrument have been estimated using a discounted cash flow valuation model and is supported by observable inputs. The most significant observable inputs are exchange rates and interest rates.

31 December 2023

Description	Valuation techniques	Observable inputs	Range
Derivative financial instrument	Discounted cash flow method	Future foreign exchange rate	7.19-7.50

31 December 2024

Description	Valuation techniques	Observable inputs	Range
Derivative financial instrument	Discounted cash flow method	Future foreign exchange rate	6.94-7.60
Unlisted equity securities	Recent transaction price	Expected rate of return	10%

30 September 2025

Description	Valuation techniques	Observable inputs	Range
Unlisted equity securities	Recent transaction price	Expected rate of return	10%

Information about Level 3 fair value measurements

The fair values of wealth management products and unlisted equity security have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors of the Company to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The directors of the Company believe that the estimated fair values resulting from the valuation technique are reasonable, and that they were the most appropriate values at the end of each of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of these financial assets at FVPL and the sensitivity analysis at the end of each of the reporting period:

31 December 2023

Description	Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) percentage in Significant unobservable inputs	Effect on Fair Value
Wealth management products	Discounted cash flow method	Interest return rate	4.50%-5.10%	0.50% (0.50)%	57 (57)

RMB'000

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30 September 2025

Description	Valuation techniques	Significant unobservable inputs	Range	Increase/ (decrease) percentage in significant unobservable inputs	Effect on Fair Value
					<i>RMB'000</i>
Wealth management products	Discounted cash flow method	Interest return rate	2.11%-5.10%	0.50% (0.50)%	1,256 (1,256)

The movement during the Track Record Period in the balance of these Level 3 fair value measurements are as follows:

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
At the beginning of the year/period	–	11,353	–
Purchase	74,706	700,753	363,248
Net gain on financial assets measured at FVPL	171	4,949	1,953
Redemption	(63,522)	(717,123)	(113,995)
Exchange (loss)/gain	(2)	68	–
At the end of the year/period	<u>11,353</u>	<u>–</u>	<u>251,206</u>

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group’s financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2023 and 2024 and 30 September 2025.

33 COMMITMENTS

Capital commitments outstanding as at 31 December 2023 and 2024 and 30 September 2025 not provided for in the Historical Financial Information were as follows:

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Contracted for acquisition of property, plant and equipment	<u>198</u>	<u>366</u>	<u>7,821</u>

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34 MATERIAL RELATED PARTY TRANSACTIONS

Names and relationship of the related parties that had material transactions with the Group during the Track Record Period are disclosed as following:

Name of party	Relationship
Mr. Wang Jianjun	Shareholder with significant influence and executive director
WRC Vitality Eager Limited	Shareholder with significant influence and controlled by executive director
China Cloud Tech Angel Capital Partnership, L.P.	Shareholder with significant influence
Beijing Sequoia Xinyuan Equity Investment Center (L.P.)* 北京紅杉信遠股權投資中心(有限合夥)	Shareholder with significant influence
Shenzhen Capital Group Co., Ltd.* 深圳市創新投資集團有限公司	Shareholder with significant influence
Shenzhen Jiazi Puzheng Duo Strategic Equity Investment Fund Partnership (L.P.)* 深圳甲子普正多策略股權投資基金合夥企業(有限合夥)	Shareholder with significant influence

* The English translation of these entities is for reference only. The official names of the entities established in the PRC are in Chinese.

(a) Balances with related parties

At 31 December 2023 and 2024 and 30 September 2025, the Group had the following non-trade related balances with related parties:

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Amounts due from shareholders with significant influence:			
Mr. Wang Jianjun	2,358	–	–
WRC Vitality Eager Limited	–	8,180	–
China Cloud Tech Angel Capital Partnership, L.P.	–	2,528	–
Beijing Sequoia Xinyuan Equity Investment Center (L.P.)	–	36,835	–
Shenzhen Capital Group Co., Ltd.	–	59,995	–
Shenzhen Jiazi Puzheng Duo Strategic Equity Investment Fund Partnership (L.P.)	–	149,986	–
	<u>2,358</u>	<u>257,524</u>	<u>–</u>
Amounts due to shareholders with significant influence:			
WRC Vitality Eager Limited	–	8,118	–
China Cloud Tech Angel Capital Partnership, L.P.	–	2,528	–
Beijing Sequoia Xinyuan Equity Investment Center (L.P.)	–	36,839	–
Shenzhen Capital Group Co., Ltd.	–	60,000	–
Shenzhen Jiazi Puzheng Duo Strategic Equity Investment Fund Partnership (L.P.)	–	150,000	–
	<u>–</u>	<u>257,485</u>	<u>–</u>

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(b) Guarantees issued by related parties

	At 31 December		At 30 September
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
Guarantees issued by a related party in respect of bank loans borrowed by the Group:			
Mr. Wang Jianjun	96,339	307,060	487,247
Guarantees issued to a related party in respect of personal loans and borrowings:			
Mr. Wang Jianjun	–	5,000	5,000

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group’s directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	At 31 December		At 30 September	
	2023	2024	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Salaries, wages and other benefits . .	4,213	8,102	6,020	6,241
Discretionary bonuses	9,910	8,521	6,391	2,556
Contributions to defined contribution retirement plan	36	38	28	31
Share-based compensation expenses .	–	9,077	6,808	6,808
	<u>14,159</u>	<u>25,738</u>	<u>19,247</u>	<u>15,636</u>

35 SIGNIFICANT NON-ADJUSTING EVENTS AFTER THE TRACK RECORD PERIOD

In November 2025, the Company consummated the additional issuance of 8,178,493 Series D preferred shares to certain third-party investors with an aggregate consideration of US\$33,103,000 in cash.

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36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of this report, the IASB has issued a number of amendments, new standards and interpretations, which are not yet effective for the Track Record Period and which have not been adopted in preparing the Historical Financial Information. These developments include:

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments: disclosures – Contracts referencing nature dependent electricity</i>	1 January 2026
Amendments to IFRS 9, <i>Financial instruments</i> and IFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
IFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

IFRS 18, Presentation and disclosure in financial statements

IFRS 18 will replace IAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity’s financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18 and the adoption of IFRS 18 is not expected to have material effect on how the Group’s results and financial positions have been presented.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 September 2025.